From: Paul Rebecca Robertshawe
To: Telco Review
Subject: Comments on Request for Further consultation on Telco review
Date: Friday, 3 March 2017 11:54:36 a.m.

Hello

Unfortunately I have not had time to prepare and research a full submission here, but in a follow on from my submission to the prior consultation paper, I note my comments below.

Nationally averaged copper pricing in non UFB and RBI areas has no economic justification, particularly as long as the TSO applies in those jurisdictions. My expectation would be that full economic costing would be prohibitive and unacceptable politically, despite being economically justifiable. I would suggest some form of adjusted rural pricing or the shadow price of a fully costed modern mobile/fixed wireless/satellite network. Alternatively a subsidy to deliver services to uneconomic regions could be tendered for, noting Chorus is the most likely winner of such a tender given its current infrastructure, and this could attach higher service standards over time.

The RAB outcome for Fibre and deregulating copper in UFB areas is welcome

Setting the initial RAB and WACC is crucial. Alluding to my prior submission, **all** economic costs and assets need to be included, and the cost of capital needs to reflect the bypass risk of fibre given emerging technologies are already being deployed. The WACC needs to reflect that the historic monopoly asset beta for Chorus is no longer accurate and a new beta needs to be found which reflects the new competitive environment. The non-Chorus LFC's face competition from both copper and emerging technologies, but there should still only be one asset beta for all LFC's. Shared costs need to be appropriately included.

The cost of capital and asset base derived under TSLIRIC are completely irrelevant under this approach. Whilst much of the data can be used, the assumption sets and regulatory objectives are distinct, and should not be used to anchor the cost of capital, the asset base or the monthly lines charge.

Whilst I understand the discussion around efficient spend, I would be surprised if any of the spend was deemed inefficient. The initial bids by the LFC's derived very low returns and all have experience in network roll out and maintenance.

There were no incentives to overspend on the build, tenders for the actual build were let in a competitive process, the accelerated build timeframe comes with natural sub optimal choices around timing and these were unavoidable as part of the bid process and all of the LFC's have looked for cost savings through the process to offset **actual** cost overruns against their bid costs.

Kind regards

Paul Robertshaws